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Report of the  
**MĀORI TRUSTEE**

for the year ended  
31 March 2008

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**Minister of Māori Affairs**

I have the honour to present to you the Annual Report for the Māori Trustee for the year ended 31 March 2008.



John E Paki  
Māori Trustee

**Ki te Minita mō ngā Take Māori**

He hōnore ki ahau te tuku atu i te pūrongo ā tau o Te Kai-Tiaki Māori ki a koe mō te tau i mutu i te 31 o Māehe 2008.



John E Paki  
Kai-Tiaki Māori

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## PERFORMANCE HIGHLIGHTS

### **The Māori Trustee continues to provide a valuable service by assisting in the management of Māori clients' land and other resources.**

During 2007/2008, we acted as trustee or agent for 187,700 owners of 2,061 properties, covering just over 110,900 hectares of Māori land.

While the number of properties has decreased slightly, related annual rental has increased by over 7.3% to \$12,165,399 (2007 \$11,232,351). This was partly due to rising land values but also to our approach of identifying and assisting owners to develop the income potential of their land.

A major priority of the Māori Trustee is to manage clients' assets to best advantage, and to do this by actively and regularly consulting with clients and so enabling them to achieve their development aspirations. During the period under review the Māori Trustee arranged 362 meetings of owners, 146 meetings with advisory trustees and responsible trustees and provided written reports to owners of 491 blocks.

The Māori Trustee continued to work with owners of properties that have been identified as having development potential and being capable of providing significantly improved returns.

For example, the economics of sustainably harvesting beech on 11 South Island properties has been investigated and found to be favourable. A kiwifruit joint venture in the Bay of Plenty supported by the Māori Trustee now provides employment and training for 25 locals. A loan was provided to a Taranaki trust to enable it to purchase an adjoining property for dairy development. (More information on these and other development projects can be found on pages 20-21.)

In some cases we were able to negotiate and include in a new lease a programme for medium term improvements in the condition of the land.

We also continued to provide services to individual beneficial owners – maintaining over 126,000 client accounts and paying out \$5,738,862 in dividends. Thanks to our proactive approach of contacting clients we have maintained the percentage of accounts with valid contact details at 34% – a critical factor in the level of dividends able to be paid. This is a satisfactory outcome given the number of historic accounts (many awaiting succession orders) and a mobile client base.

Both the Common Fund and General Purposes Fund investment portfolios outperformed the industry average benchmarks for the year.

We are looking forward to the coming year with much anticipation and to providing our clients with the professional services they need to develop their resources and realise their visions.

## **ISSUES FACING THE MĀORI TRUSTEE**

### **THE REVIEW OF THE MĀORI TRUSTEE AND THE MĀORI TRUST OFFICE**

After some years of uncertainty, decisions have now been made about the future of the Māori Trustee and the Māori Trust Office.

During 2007 the government consulted widely within the Māori community on the proposed reforms of the Māori Trustee legislation. The consultation re-affirmed the importance of the Māori Trustee and his role in the management of Māori land.

The amending legislation was introduced in November 2007.

Expected changes that will improve the Māori Trustee's position and capacity to meet his statutory and fiduciary duties when the new Act comes into force include: removing the Minister of Finance's power to requisition funds provided for the operations of the Māori Trust Office; reducing the value of the debt to the Crown (TPK creditor) to zero; and altering the way in which the Common Fund is managed to better align with fiduciary practices.

During 2009 the Māori Trustee will seek to build on the new legislation and the increased funding for the operations of the office to establish a programme that will develop the systems and strategies to enhance services to clients.

### **FINANCIAL RESULTS**

The financial statements of the Māori Trustee's General Purposes Fund for the year ending 31 March 2008 are the first set of financial statements to be presented in accordance with New Zealand Equivalents to Financial Reporting Standards (NZ IFRS). This has resulted in a significant increase in financial reporting disclosures, particularly surrounding financial instruments and an accounting policy change surrounding the recognition of held to maturity investments.

The consolidated results of the Māori Trustee's General Purposes Fund show that overall total assets have increased by \$7,705,019 and that there was an operating surplus of \$2,046,323 for the year ended 31 March 2008. The increase in assets relates to the increased investment in held to maturity investments. The operating surplus is attributable to interest income earned on the Fund's investment portfolio and a significant decrease in expenditure on the 2007 financial year. A significant operating deficit was incurred in 2007 due to a one-off full provision against the value of the Māori Trustee holding in a wholly owned subsidiary.

The funds administered on behalf of clients in the Māori Trustee's Common Fund have increased by \$4,292,348 from \$52,878,331 in 2007.

### **IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)**

The application of NZ IFRS accounting standards and principles to the annual accounts of the Māori Trustee and all entities he is responsible for was reviewed in 2007 to determine which need to comply and which are exempt through differential reporting.

The Māori Trustee's General Purposes Fund is the only entity that has been required to transition to the NZ IFRS for the year ending 31 March 2008. All other entities are exempt by virtue of their asset and income size and number of employees and on account of their not coming within the criteria for producing annual accounts.

## **RATES**

Rating revaluations over the last 12 months have again highlighted the problem the Māori Trustee faces in that properties under his administration are being valued for uses that do not reflect their practical usage and do not take full account of the considerable restrictions on the sale of Māori land.

Quotable Value and private valuers tend to regard any land not being used for pastoral purposes or too small to be a viable economic unit as therefore possessing life-style potential. Such an approach ignores the realities of alienating Māori land, the unattractive location of much of the land, and the handicaps arising from the small size and large ownership of many individual properties.

Moreover, the concept of notional sale value is neither practical nor consistent with Māori cultural values. The thrust of Te Ture Whenua Māori Act 1993 is for the retention of Māori land in Māori ownership, and the obstacles to sale are, from a practical standpoint, almost insurmountable. Even offering long term leasehold title is subject to quorum requirements that are difficult if not impossible to achieve.

In a recent decision, *Taheke Paengaroa Trust v The Western Bay of Plenty District Council and Landmass Technology Limited* [2008] NZLVT 2 (26 February 2008), the Land Valuation Tribunal was critical of valuers' unquestioning acceptance of and adherence to the Valuer General's 'Mangatu guidelines' and has recommended the Valuer General re-examine the guidelines. The Tribunal also recommended prompt legislative change in rating Māori land. While revised guidelines may provide some relief to Māori land owners, they will not address the fundamental issue, namely that the 'market value' approach to rating of Māori land is inappropriate and inequitable.

In the abovementioned case the owners were successful in obtaining a 15% land valuation reduction. Unfortunately they represent only a small number of owners, as a large amount of Māori land has only limited income and owners are reluctant or unable to proceed with the expensive process of objections. Most owners, therefore, are forced to accept ratings valuations that bear little relation to the income-generating capacity of their land.

## **STAFF TRAINING AND OWNER TRUSTEE TRAINING**

In moving to the proposed standalone organisation, continuing staff development will be vital to the Māori Trustee being able to offer clients a professional service providing up to date and appropriate information on their land use options.

Similarly, ahu whenua trustees also need training tailored to their specific areas of need.

## STATEMENT OF PURPOSE

The Māori Trustee exists to protect and enhance the interests of Māori clients for whom he acts as agent or trustee. Most of the Māori Trustee's work relates to the management of clients' land interests but he is also involved in the placement of clients' funds with external institutions and in providing management services to statutory and other special trusts.

### Purpose

The Māori Trustee exists:

- (a) To protect and enhance the interests of Māori clients and their resources
- (b) To manage the adverse effects of fragmented and multiple ownership of Māori land and
- (c) To provide fair, proper and prudent administration and management of clients' assets within the principles and obligations of trusteeship and agency.

### Clients

The Māori Trustee's clients comprise individuals, whanau, hapu and trusts whose assets the Māori Trustee administers.

In managing these assets the Māori Trustee also provides services to the Māori Land Court, lessees, grantees and others.

### An Independent Trustee and Agent

The Māori Trustee is accountable directly to Māori clients, and is required by law to act independently from the Crown.

This independence is necessary so that the Māori Trustee:

- Can give professional and objective advice to clients for whom he acts as agent or trustee and
- Is not influenced by political or other factors that may not be in the interests of clients.

As trustee the Māori Trustee is obliged to act in the interests of the beneficiaries of the trust and can be brought to account through the Māori Land Court or other forum for any breach of trust.

Similarly, as agent, the Māori Trustee must act for Māori clients within the agency contract which binds them together and can be brought to account for any breach of contract.

## VISION, VALUES AND MISSION

### VISION

To provide a productive and sustainable framework for the development and utilisation of Māori resources that the Māori Trustee administers.

### VALUES

The Māori Trustee is guided by client expectations to participate in decisions and judgments affecting them and their right to exercise responsibility over their own interests.

The Māori Trustee is committed to building a relationship with clients that helps them to retain and improve their resources, guided by the following principles:

- ***Client priority and kanohi ki te kanohi*** – meeting face to face with our clients to find out what they want
- ***Professionalism*** – impartiality, loyalty and quality services having regard to accuracy, timeliness, convenience and legal compliance
- ***Integrity*** – honesty and openness, doing our best
- ***Adaptability*** – flexibility and innovation, staying ahead of the game.

### MISSION

The mission of the Māori Trustee is to build a client focussed business that provides superior service through business competence, teamwork and professionalism.

## **STRATEGIC GOALS**

**The Māori Trustee has developed four Strategic Goals to enable him to achieve the Vision, Values and Mission.**

### **Strategic Goal 1**

**To manage clients' assets to best advantage through sound and prudent management practices.**

In doing this the Māori Trustee will:

- Actively and regularly consult with clients
- Provide quality information to enable clients to make sound business decisions
- Empower clients to achieve their aspirations
- Increase the value of clients' assets
- Make timely payment of clients' funds.

### **Strategic Goal 2**

**To manage fund assets to best advantage for clients.**

In managing these assets, the Māori Trustee will:

- Seek to improve the return on investments consistent with investment standards
- Apply an asset management framework that encompasses
  - Maintenance and Growth Objectives
  - Risk/Return Profiles
  - Diversification/Asset Classes.

### **Strategic Goal 3**

**To unlock the potential of Māori assets by identifying opportunities and by lending for new and existing land and business development.**

The Māori Trustee will do this by:

- Identifying and investigating opportunities for clients to increase the value of their assets
- Facilitating client access to funding, advisory and mentoring support services
- Lending to small and medium sized enterprises on a commercial basis.

**Strategic Goal 4**

**To strengthen operational capability by developing staff and improving efficiency and effectiveness.**

The Māori Trustee will do this by:

- Developing and extending staff to utilise their talents, contribute to strong teamwork and provide a superior service to clients
- Continuing to improve the efficiency and effectiveness of systems and processes.

## OUR FUNCTIONS AND STRATEGIC CONTEXT

The main functions of the Māori Trustee are:

- To manage the utilisation and development of Māori land principally through leasing for pastoral and dairy farming as well as horticulture and forestry and other uses
- To invest client funds
- To distribute dividends and interest to owners
- To provide management services to statutory and other special trusts, including the distribution of education scholarships.

The legal authorities of the Māori Trustee are contained within a number of statutes. The main statutes are:

- Māori Trustee Act 1953
- Trustee Act 1956
- Māori Vested Lands Administration Act 1954
- Māori Reserved Land Act 1955
- Māori Soldiers' Trust Act 1957
- Māori Affairs Restructuring Act 1989
- Ministry of Māori Development Act 1991
- Te Ture Whenua Māori Act 1993
- Māori Reserved Land Amendment Act 1998

## PROPERTY PORTFOLIO

### *Properties*

The Māori Trustee manages a large number of properties with a large number of owners as illustrated in Table 1.

**TABLE 1 – PROFILE OF PROPERTIES ADMINISTERED AS AT 31 MARCH 2008**

<b>\$Annual Rental Range</b>	<b>Total Gross \$Rental</b>	<b>Number of properties</b>	<b>Number of hectares</b>	<b>Number of owners</b>
\$0	0.00	408	27,260	30,796
UP TO \$1,000	288,674	370	5,348	21,557
\$1,001-5,000	1,862,007	627	28,580	60,080
\$5,001-10,000	2,557,085	318	16,409	31,047
\$10,001-15,000	1,592,373	132	10,515	17,753
\$15,001-20,000	1,251,761	74	7,299	6,778
\$20,001-25,000	957,305	41	3,885	4,790
OVER \$25,000	3,656,194	91	11,625	14,960
<b>TOTAL</b>	<b>12,165,399</b>	<b>2061</b>	<b>110,921</b>	<b>187,761<sup>1</sup></b>

<sup>1</sup> Note as many clients have shares in more than one property, this number is higher than the number of individual Client Accounts.

Most of these properties are in rural areas. While the property portfolio covers a spectrum of income bands, a large proportion of it falls within the lower income bands. These lower bands account for most of the owners and properties but a disproportionately lower slice of the rental. For example, annual income bands \$0-5,000 account for 68% of all properties and 60% of all owners but only 18% of gross rental income.

At the other end of the scale, annual income bands \$20,000+ account for 40% of gross annual income but only 6% of properties and 11% of owners.

What this means is that the property portfolio comprises mostly small, rural properties with relatively high numbers of owners and low rentals and other income.

The Māori Trustee provides a professional property management service to all properties irrespective of the level of income generated – including those with insufficient income to meet the costs of core management tasks.

### ***Clients***

Once property expenses and tax have been deducted, the balance of the rental and other income is either invested or, more commonly, distributed to individual client accounts in the Common Fund. The distributed funds are then paid out over the October-November period as an annual dividend to clients provided we have a valid bank account or address for a client.

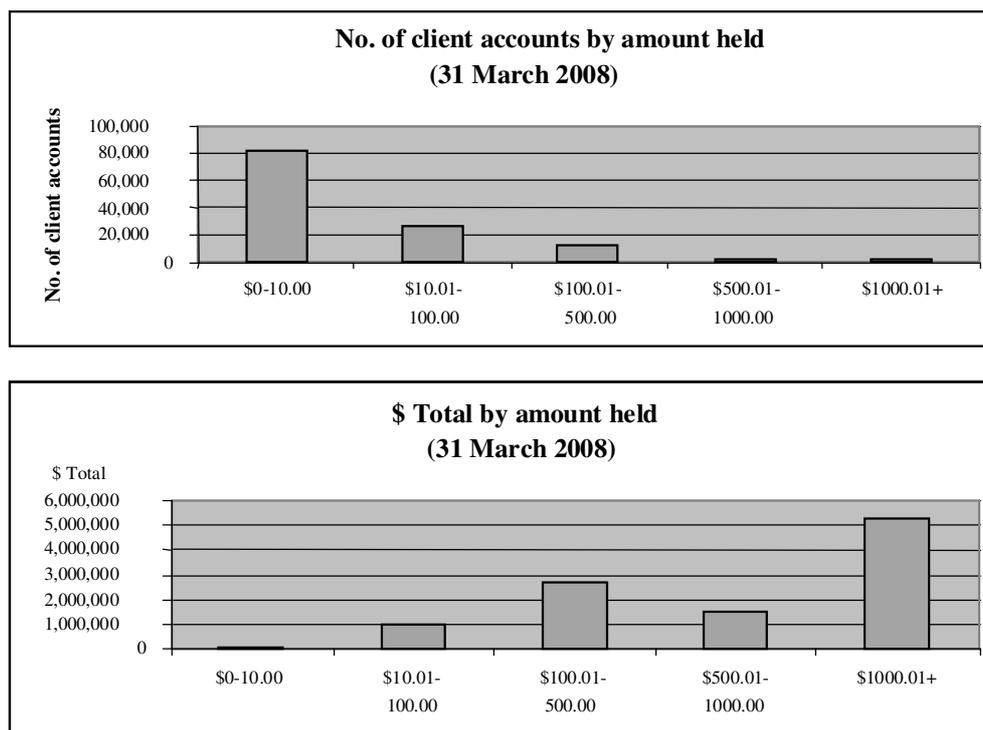
We manage over 126,000 such accounts for clients with ownership interests in land administered by the Māori Trustee as part of the property portfolio.

The number of client accounts has been steadily rising and is related to the continuing fragmentation of ownership interests in Māori freehold land. In 2007/2008 the number of accounts increased by just over 1% to 126,584 (125,304 2006/2007).

Mirroring the property portfolio, Tables 2 and 3 show that the largest number of clients (66%) holds less than 1% of the total funds and, vice versa, the smallest number of clients (4%) with more than \$500 in their accounts holds 64% of the total funds.

**TABLE 2 –NUMBER AND FUNDS HELD IN CLIENT ACCOUNTS AS AT 31 MARCH 2008**

<b>Client Account by value (at 31 March 2008)</b>	<b>\$ in Accounts</b>	<b>% of Client Accounts</b>	<b>\$ average per Client Account</b>
\$0-10.00	70,383	66%	0.85
\$10.01-100.00	1,015,754	21%	37.96
\$100.01-500.00	2,630,214	9%	218.87
\$500.01-1000.00	1,497,318	2%	699.03
\$1000.01+	5,251,706	2%	2,787.53
<b>Total</b>	<b>10,465,375</b>	<b>100%</b>	<b>83.55</b>

**TABLE 3 – CLIENT ACCOUNTS BY NUMBER AND FUNDS HELD**

### ***Funds Retained in Client Accounts***

Funds that cannot be paid out to clients are retained in client accounts in the Common Fund.

The reason funds cannot be paid out is because the Māori Trustee does not have a valid address or bank account. This occurs because either:

- The person has died and their interest has not been succeeded to; or
- Clients are disinterested because the shares and distributions are very small; or
- Clients are unaware they have shares; or
- Clients move address or change banks frequently, failing to notify the Māori Trustee.

Over time the funds held in client accounts and not paid out has steadily increased. This in part reflects increasing rentals (and thus payments) but also that funds are unable to be paid for one or other of the reasons outlined above.

To address this situation and ensure that we are able to pay out to clients as much of the funds as possible, we operate a very proactive approach to obtaining and maintaining up to date client information including:

- Tapping into owners' networks: At all meetings with owners and other points of contact with clients, clients are given a list of owners in their block without a valid address or who are deceased with no known successors and are asked to provide addresses or the names of potential successors wherever they can.
- Publication and distribution of an annual list of owners with large amounts held in client accounts. This list is publicly available at all Māori Trust Office, Te Puni Kōkiri and Māori Land Court offices and is widely distributed to over 150 Māori organisations and libraries, and to Māori Members of Parliament as well as being available on-line at <http://www.tpk.govt.nz/en/about/mto/unclaimed/>

- Checking of electoral rolls and/or directly contacting other whanau members to obtain current addresses.

Having an accurate and up to date client information base is one of our key objectives. Not only is it vital for paying our clients but also for communicating with them and involving them in property management decisions.

## **INVESTMENT PORTFOLIOS**

The Māori Trustee manages client funds and his own funds.

Client funds are held in the Common Fund and Special Investment Accounts. The Māori Trustee's own funds are held in the General Purposes Fund.

Investments are governed by statute, principally the Māori Trustee Act 1953 and the Trustee Act 1956.

### ***Client Investments***

Client funds can be held in several accounts that earn interest, including a Common Fund Deposit Account and/or a Special Investment Account.

Where funds are to be held for agencies or trusts and not immediately distributed, they may be placed either in a Common Fund Deposit Account (at a rate of return prescribed by regulation) or in a Special Investments Account (at the market rate of return offered by outside institutions).

Special Investments are considered in accordance with the provisions of the Māori Trustee Act 1953 and the governing entity's trust order or agency agreement. The minimum level of funds considered for placement with outside institutions is generally set at \$10,000.

All funds in the Common Fund (but excluding Special Investment Accounts) are guaranteed by the Crown.

Most Special Investment Accounts and all Common Fund Accounts are fixed interest investments. The range of return on a Client Account is dependent on:

- The level of funds on deposit;
- The term, for example on call, 7 days through to 365 days;
- The rates prevailing on the day that a special investment is made.

The Māori Trustee's aim is to manage funds to clients' best advantage and in a manner consistent with clients' cultural values, objectives and express directions.

### ***Common Fund Investments (excluding Common Fund Accounts)***

All Common Fund money comprises funds held on behalf of trusts, agencies and individual clients. Interest accruing from these funds is credited in accordance with legislative provisions to the Māori Trustee's General Purposes Fund.

The Māori Trustee continues to be dependent upon income generated from these investments to contribute to funding his responsibilities as contained in the Māori Trustee Act 1953. Investment is made in accordance with the Māori Trustee's investment strategy, policy and oversight of an investment committee and investment advisors and in accordance with other statutory requirements.

### ***General Purposes Fund Investments***

The General Purposes Fund is the Māori Trustee's account. The Māori Trustee is dependent on income generated by investments in the General Purposes Fund and other income from commission, fees and interest from Common Fund investments to contribute to meeting certain expenditure as specified in the Māori Trustee Act 1953, e.g. for lending purposes.

Statutory authorities contained in the Māori Trustee Act 1953 enable the Māori Trustee to be more flexible with the type of security, type of instrument and return on investments made for the General Purposes Fund. Investments are made in accordance with the Māori Trustee's investment strategy and policy which is conservative by general standards. The investment aim is to preserve the real value of the capital invested in cash and fixed term securities.

# OPERATIONAL PERFORMANCE IN 2007/2008

## STRATEGIC GOAL 1: ASSET MANAGEMENT

TO MANAGE OUR CLIENTS' ASSETS TO BEST ADVANTAGE THROUGH SOUND AND PRUDENT MANAGEMENT PRACTICES.

**Our objective** is to provide a reliable and professional asset management service.

### PROPERTY PORTFOLIO

#### *Leases of properties managed by the Māori Trustee*

Over the past year the number of properties decreased slightly to 2,061 (2,094 in 2007) while the number of active tenancies increased slightly to 2,200 (2,191 in 2007).

Rental income has also increased by 7.3% to \$12,165,399 (\$11,336,351 in 2007).

Key tasks are scheduled over the life of each lease and for communications with owners including:

- Arranging, reviewing and renewing leases and rental arrangements
- Monitoring and managing lessees' compliance with leases
- Collecting rental and other income
- Paying accounts and distributing funds to those beneficially entitled
- Investing funds not distributed and retained for development purposes
- Paying and meeting tax obligations
- Holding meetings of beneficial owners
- Reporting regularly to the beneficial owners and trustees
- Maintaining ownership lists.

During 2007/2008 we completed:

- 711 inspections of properties to monitor and manage lessees' compliance with leases
- 168 rent reviews
- 263 new leases
- 88 lease renewals
- 362 meetings of owners
- 146 meetings with advisory trustees and responsible trustees
- 491 reports on blocks/trusts to owners
- 120 reports to the Māori Land Court on reviews of ahu whenua trusts.

### ***Timely Payments and Information Service to Clients***

During 2007/2008 we:

- paid out \$5,738,862 to clients (\$5,535,119 in 2007) and
- increased the percentage of payments by direct credit (a more secure means of payment) from 82% to 84%.

A key element in achieving this is maintaining an accurate client information database through continuously updating ownership details and working with the Māori Land Court on updating ownership lists.

In 2007/2008 we completed:

- 1,309 Māori Land Court searches (1,427 in 2007)
- 14,026 client update forms – received and processed (12,277 in 2007)
- 868 written responses to clients (831 in 2007)

This enabled us to:

- slightly increase the number of client accounts with valid addresses and/or bank account details to 42,892 (42,818 in 2007) and
- maintain the overall percentage of accounts with valid addresses and/or bank account details at 34%.

## **SPECIAL TRUSTS**

### ***Statutory trusts***

The Māori Trustee continued to provide services to a small number of statutory trusts including:

- Māori Soldiers' Trust
- Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund
- Māori Purposes Fund.

These trusts are administered in accordance with the terms of the trust and the directions of trustees.

### **Māori Soldiers' Trust**

Under the Māori Soldiers' Trust Act 1957, the Māori Trustee administers the Soldiers' Fund Account for the benefit of WWI Māori veterans and their dependents.

The Sir Apirana Ngata Memorial Scholarship Fund is also administered by the Trust. The fund allows for education scholarships to be awarded with preference given to the descendants of WWI Māori veterans. Scholarships totalling \$40,000 were awarded to 18 recipients in 2007/2008.

**Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund**

Under the Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund Act 1945 and its amendments, the Māori Trustee acts as banker and thereby holds and invests funds as directed by the Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund Board.

**Māori Purposes Fund**

Under the Māori Purposes Fund Act 1934-35 and its amendments, the Māori Trustee acts as banker and thereby holds and invests funds as directed by the Māori Purposes Fund Board.

## STRATEGIC GOAL 2: FUNDS MANAGEMENT

### TO MANAGE FUND ASSETS TO BEST ADVANTAGE FOR CLIENTS.

**Our objective** is for the Common Fund and the General Purposes Fund investment portfolios to perform as well as or better than the industry benchmarks over a comparable period.

Melville Jessup Weaver (MJW) undertake periodic surveys of managed funds. The results of this survey which reports the industry average is used as an indicator against which the performance of both the General Purposes Fund and the Common Fund are measured. The results are summarised in Table 4 below.

**TABLE 4 – MJW SURVEY OF PORTFOLIO PERFORMANCE**

<b>Fixed Investments Gross</b>	<b>Common Fund</b>	<b>General Purposes Fund</b>	<b>Industry average</b>
1 <sup>st</sup> Quarter 2008	1.4	1.2	1.4
1 year ending 31 March 2008	4.9	5.0	4.7
Average over 3 years to 31 March 2008	5.8	5.9	5.9

<b>Cash Investments Gross</b>	<b>Common Fund</b>	<b>General Purposes Fund</b>	<b>Industry average</b>
1 <sup>st</sup> Quarter 2008	2.1	2.2	1.7
1 year ending 31 March 2008	8.3	8.4	8.2
Average over 3 years to 31 March 2008	7.7	7.8	8.0

The MJW survey confirmed that the portfolios had performed better than or in line with the industry benchmarks for the period under review. The strategy held for the last 2 years of having a shorter duration and high credit strategy for the portfolio continues to add value.

## **STRATEGIC GOAL 3: ASSET DEVELOPMENT**

**TO UNLOCK THE POTENTIAL OF MĀORI ASSETS BY IDENTIFYING OPPORTUNITIES AND BY LENDING FOR NEW AND EXISTING LAND AND BUSINESS DEVELOPMENT.**

**Our objective** is to identify a number of new initiatives each year that will improve the long term return of our clients' land and other resources.

### **PROPERTY DEVELOPMENT INITIATIVES**

Each year the Māori Trustee targets properties with potential for development. When modern management and farming techniques are applied or small properties are combined into larger farming units or access is provided for landlocked properties, productive potential can be unlocked.

The role of the Māori Trustee varies from intensive hands-on management to acting as a facilitator and advisor seeking the best options for beneficial owners of the land. In some cases the Māori Trustee is simply assisting beneficial owners with existing plans. In other cases help is provided to formulate new plans including engaging specialist advice on the productive potential of the land. The expiry of a lease is often an opportune time for owners to review the condition and income earning potential of their land and to decide both on longer term development strategies as well as medium term improvements they would like us to negotiate and include in the new lease.

In 2007/2008 the Māori Trustee facilitated or participated in a number of projects including:

- Whitebait licences: The expiry of two South Westland leases of properties bordering a major whitebaiting river provided an opportunity for the Māori Trustee to enter into occupation and access licences with people who were using the properties to access the river for whitebaiting and/or occupying baches by the river. As a result the annual income from these properties has increased significantly – in one case from \$700 to \$12,370.
- Sustainable Harvesting of Beech: The economics of sustainably harvesting the timber on 11 sections has been investigated and while the forecast profits were not strong they were nonetheless found to be favourable. Harvesting of the 5 remaining sections is considered uneconomic. Consultation is now proceeding with the owners to establish whether or not to proceed with harvesting. Depending on information coming to light on future economic prospects, the owners and the Māori Trustee will consider which, if any of the options, to take up in the future.
- Beech Forestry Research: The 3 year research project into the economic viability of sustainably managed beech forests and associated industry which has been funded by MAF's Sustainable Farming Fund has made good progress with establishing the state of the market for New Zealand beech. The University of Canterbury is carrying out the research on behalf of the Māori Trustee and the New Zealand Farm Forestry Association.

- Nitrate Investigation: Another major project for the Māori Trustee, through its Rotorua office, has been the participation in local and central government authority forums investigating nutrient issues relating to the Te Arawa Lakes catchment areas. This has resulted in the benchmarking of properties within the Lakes catchment areas.
- Joint Venture Study: The Māori Trustee has commenced a study of an area in Northland to identify some underutilised properties that might more profitably be farmed under a joint venture arrangement.
- Joint Leasing: Also in Northland, the Māori Trustee is investigating the joint leasing of some properties under the same ownership with a view to improving access and increasing returns.
- Kiwifruit Joint Venture: In 2005/2006, the Māori Trustee provided a loan facility to four trusts in the Bay of Plenty under his administration to meet the partnership agreement under a kiwifruit Joint Venture arrangement. In the period under review the Joint Venture continued to receive very good returns and is employing 25 locals to work on the orchards completing pruning, picking, thinning and other work. This includes providing training in these areas of expertise.
- Green Park Development: The Māori Trustee commissioned a feasibility study through Poutama Trust to investigate a Green Food Park on land at Whakatane. The owners have accepted this and have authorised that Phase II, a business case, should proceed.
- Dairying: The Māori Trustee provided a loan facility to a Taranaki trust under his administration to enable it to purchase an adjoining property of 19 hectares of prime dairy land. The land in question was Māori freehold land and in exercising first right of refusal the trust was able to keep the land in Māori ownership. The trust is currently leasing both properties at good market rentals and plans in the longer term to run its own dairy enterprise.
- Water and power supply: On behalf of owners of a Taranaki property the Māori Trustee negotiated with the new lessee to provide \$30,000 of improvements in water supply, pipes and troughs and stockyards while the owners paid for the power supply installation.
- Protection of owners' rights: The Māori Trustee was successful in enforcing lease covenants against a previous lessee to return water tanks and pipes he had removed from the property to his adjoining property. While this is not a development as such it illustrates the importance of vigilance in protecting the rights of owners. The Māori Trustee was able to do this through persistent communication with the offending lessee and without taking the matter to court.
- Climate Monitoring: The data collected from the three climate monitoring stations in the Mohaka area have shown that the climate is, unfortunately, not suitable for kiwifruit production. However the information collected has been useful in determining other crops which can be more profitably grown in the district, such as maize.

**LENDING**

A portion of the General Purposes Fund is allocated for lending to Māori. This includes enterprise funding where it can be demonstrated a clear benefit exists for Māori.

The long term objective is to develop a commercial loan portfolio of \$10-20 million.

Māori Trustee lending is based on established standards and involves term loans with the present portfolio averaging \$152,353. Advances are generally for short to medium term, being 5 years or less. Lending is flexible and tailored strongly to the needs of the borrower. The decision to lend is assessed on character, cash flow and collateral.

## STRATEGIC GOAL 4: ORGANISATIONAL DEVELOPMENT

TO STRENGTHEN OPERATIONAL CAPABILITY BY DEVELOPING STAFF AND IMPROVING EFFICIENCY AND EFFECTIVENESS.

**Our objective** is to develop our people, skills and knowledge base and to continually improve systems and processes.

During the year staff training and systems development projects were completed to target.

### *Management Structure*

Senior officers in the Māori Trust Office during the period reported were:

Māori Trustee	John Paki
Financial Controller	Geoff Miller
Manager Asset Management Asset Development	Andrea Williams
Manager Client Services	Tai Taitoko
Manager Operations	Isobel McIntyre
Regional Operations Manager Whangarei	Merran O'Hagan
Regional Operations Manager Hamilton	Leanne Hamilton
Regional Operations Manager Rotorua	Tina Ngatai
Regional Operations Manager Gisborne	Maui Tangohau
Regional Operations Manager Whanganui	Novena McGuckin

**TABLE 5 – FULL-TIME EQUIVALENT MĀORI TRUST OFFICE STAFF**

For the year ending	31 March 2008	31 March 2007
Staff		
• Permanent	53	48
• Temporary	3	5
<b>Total</b>	<b>56</b>	<b>53</b>

## **SUMMARY OF FINANCIAL PERFORMANCE FOR 2007/2008**

The financial statements for the financial year ended 31 March 2008 are contained on pages 26 to 51 (Consolidated General Purposes Fund) and pages 55 to 57 (Common Fund and Special Investments) of the Māori Trustee's Annual Report. The financial statements for both funds have received an unqualified audit opinion from Audit New Zealand.

### ***Transition to New Zealand Equivalents to International Financial Reporting Standards***

In December 2002 the Accounting Standards Review Board announced that New Zealand entities required to comply with New Zealand Generally Accepted Accounting Practice under the Financial Reporting Act would be required to apply International Financial Reporting Standards. The new standards are mandatory for financial statements with a reporting period that commences on or after 1 January 2007. The 31 March 2008 financial statements of the Māori Trustee's General Purposes Fund have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as it is a public benefit entity. This is the Fund's first set of NZ IFRS compliant financial statements.

The impact of adopting the new standards is disclosed in Note 23 of the financial statements. The significant changes relate to financial instruments. A new accounting policy has been implemented for the recognition and measurement of held to maturity investments and an increased level of disclosure surrounding financial instrument risk.

### ***Statement of Financial Position – Māori Trustee's General Purposes Fund***

The consolidated statement of financial position as at 31 March 2008 shows total assets of \$61,053,379. Overall total assets have increased by \$7,705,019.

The split of Māori Trustee assets is: 27% of total assets are current assets (i.e. maturing within 12 months) and 73% are non-current assets (i.e. maturing after 12 months).

Consolidated General Purposes Fund net assets represent -6% of the total asset base as at 31 March 2008 compared to -10% as at 31 March 2007. This is primarily due to an increase in the Māori Trustee's operating surplus as noted below.

The liabilities continued to grow and are at \$64,667,900 as at March 2008. This is mainly the TPK creditor, representing the level of funds provided to meet the costs associated with the Māori Trust Office that are expected to be fully reimbursed, which is \$62,935,545.

The net effect of operations for the period on the equity balance in the Māori Trustee's account is -\$3,614,521 as at 31 March 2008.

### ***Statement of Financial Performance – Māori Trustee's General Purposes Fund***

The consolidated statement of financial performance shows an operating surplus of \$2,046,323 in the Māori Trustee's General Purposes Fund after provisions. This represents an increase of \$13,868,303 from 2007.

A significant operating deficit was incurred in 2007 due to a one-off full provision against the value of the Māori Trustee holding in a wholly owned subsidiary after consolidation and other provision as noted on page 45, Note 20 of the financial statements.

Revenue increased by \$2,464,695 in 2008. Most income continues to be generated from investment activities. Income from this source represents 74% of total gross income.

Operating costs have decreased by \$11,403,608. This is due to the large one-off provision incurred in 2007. Other significant costs include finance costs.

### ***The Māori Trustee's Common Fund***

All money collected by the Māori Trustee from various sources on behalf of Māori owners is administered within the Common Fund. Sources of funds included rental, royalties, interest and income from primary sector activities.

The Common Fund carries a Crown guarantee in accordance with Section 27 of the Māori Trustee Act 1953.

The total fund administered by the Māori Trustee within the Common Fund on behalf of Māori clients was \$42,826,254 as at 31 March 2008. This represents an increase in funds held of \$3,329,991 over the position at 31 March 2007 of \$39,496,263.

### ***Client Funds***

Funds administered on behalf of clients are held in two accounts. These are the Special Investments Account and the Common Fund Account. Overall total funds held on behalf of clients within the two accounts total \$57,170,679.

Funds held in the two accounts have increased by \$4,292,348 from \$52,878,331 in 2007.

### ***Special Investments Account***

Funds held by the Māori Trustee in Special Investments are governed by Section 24 of the Māori Trustee Act 1953.

Funds invested by the Māori Trustee with outside financial institutions on behalf of and at the direction of depositors increased by \$962,357 from \$13,382,068 (2007) to \$14,344,425.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 \$	2007 \$
<b>Income</b>			
Investment income	4	6,905,286	5,470,900
Commission		954,715	910,937
Fees		563,002	484,771
Share of associate's profit		89,222	35,467
Other income	5	<u>854,545</u>	<u>0</u>
Total income		<u>9,366,770</u>	<u>6,902,075</u>
<b>Expenditure</b>			
Trust Office operating costs	6	5,814,114	5,187,534
Finance costs		1,067,415	921,137
Impairment losses	7	(12,816)	12,562,384
Grants paid	8	3,000	53,000
Ahuwhenua costs		<u>448,734</u>	<u>0</u>
Total expenditure		<u>7,320,447</u>	<u>18,724,055</u>
Net surplus/(deficit) for the year		<u>2,046,323</u>	<u>(11,821,980)</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2008**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Balance as at 1 April	(5,660,844)	6,161,136
Net surplus/(deficit) for the year	<u>2,046,323</u>	<u>(11,821,980)</u>
Total recognised income and expenses	2,046,323	(11,821,980)
Balance as at 31 March	<u><u>(3,614,521)</u></u>	<u><u>(5,660,844)</u></u>

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
BALANCE SHEET  
AT 31 MARCH 2008**

	Notes	2008 \$	2007 \$
<b>The Māori Trustee administers:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	9,997,326	10,410,389
Debtors and other receivables	10	1,374,475	1,055,121
Held to maturity investments	11	5,386,303	7,468,139
Total current assets		<u>16,758,104</u>	<u>18,933,649</u>
<b>Non-Current Assets</b>			
Held to maturity investments	11	34,445,939	27,761,895
Loans and receivables	12	4,379,683	3,754,043
Investment in associates	13	5,143,532	2,554,310
Property, plant and equipment	14	176,018	242,786
Intangible assets	15	150,103	101,677
Total non-current assets		<u>44,295,275</u>	<u>34,414,711</u>
Total assets		<u>61,053,379</u>	<u>53,348,360</u>
<b>Current Liabilities</b>			
Creditors and other payables	16	64,667,900	59,009,204
Total liabilities		<u>64,667,900</u>	<u>59,009,204</u>
General Purposes Fund			
Balance held by Māori Trustee		(3,614,521)	(5,660,844)
Total liabilities		<u>61,053,379</u>	<u>53,348,360</u>

These financial statements were authorised for issue on 11 May 2009.

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J E Paki  
Māori Trustee

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2008**

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Interest income		6,235,081	5,558,652
Fees and commissions from clients		1,158,300	1,361,514
Other income		780,278	0
Goods and Services Tax		7,828	22,459
		<u>8,181,487</u>	<u>6,942,625</u>
<b>Cash was applied to:</b>			
Suppliers and employees		(414,533)	(202,872)
Interest payments to clients		(1,067,415)	(921,198)
Legal settlements		0	(166,621)
Grants		0	(53,000)
		<u>(1,481,948)</u>	<u>(1,343,691)</u>
<b>Net cash flows from operating activities</b>	17	<u>6,699,539</u>	<u>5,598,934</u>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Loan repayments		880,641	557,282
Conversion Fund repayments		24,076	37,733
Repayments of advances on overdraft		14,257	9,971
Investment maturities and sales		4,500,000	9,189,373
		<u>5,418,974</u>	<u>9,794,359</u>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment		(18,712)	(121,285)
Purchases of intangible assets		(163,394)	0
Loan advances		(1,531,798)	(465,609)
Investment in associates		(2,500,000)	0
Investments		(8,317,672)	(9,989,693)
		<u>(12,531,576)</u>	<u>(10,576,587)</u>
<b>Net cash flows from investing activities</b>		<u>(7,112,602)</u>	<u>(782,228)</u>
Net increase/(decrease) in cash		(413,063)	4,816,706
Cash at beginning of year		10,410,389	5,593,683
Cash at end of year		<u>9,997,326</u>	<u>10,410,389</u>
<b>Represented by:</b>			
Cash at bank and in hand		134,066	12,215
Deposits at call		3,808,148	2,548,174
Short-term deposits		6,055,112	7,850,000
		<u>9,997,326</u>	<u>10,410,389</u>

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2008**

**1. Reporting entity**

The financial statements of the Māori Trustee and his subsidiary for the year ended 31 March 2008 were approved for issue on 11 May 2009. The Māori Trustee is a Corporate sole defined under the Māori Trustee Act 1953 and is domiciled in New Zealand.

The Māori Trustee is responsible for administering the affairs of a selection of Māori land blocks and Trusts to promote, develop and enhance Māori assets as opposed to making a financial return.

**2. Statement of accounting policies**

**Basis of preparation**

These financial statements are prepared in terms of Section 23 of the Māori Trustee Act 1953 (“the Act”) for the General Purposes Fund.

The General Purposes Fund represents funds held by the Māori Trustee in his own right.

The financial statements have been prepared on a historical cost basis with the exception of certain items for which specific accounting policies are identified.

Both the functional and presentational currency of the Māori Trustee is New Zealand dollars.

**Statement of compliance**

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared under NZ IFRS. The comparative information for the year ended 31 March 2007 has been restated to comply with NZ IFRS accordingly. Reconciliations of equity and net surplus under NZ IFRS to the balances reported in the 31 March 2007 financial statements are detailed in note 23.

**New accounting standards and interpretations**

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the year ended 31 March 2008. Applicable standards are outlined below.

<b>Title</b>	<b>Application date of the standard</b>	<b>Summary</b>	<b>Impact on Group financial report</b>	<b>Application date for the Group</b>
NZ IAS 1 Presentation of Financial Statements (revised)	Period beginning on or after 1 January 2009	Introduction of the Statement of Comprehensive income	Disclosure	Year ended 31 March 2010

## **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Māori Trustee and his wholly owned subsidiary, Te Māori Lodges Limited (“TML”) as at 31 March 2008. Subsidiaries are all those entities over which the Māori Trustee has the power to govern the financial and operating policies as to obtain benefits from their activities. Interests in associates are equity accounted and are not part of the consolidated group.

The principal activity of TML is that of a holding company which holds shares in Quantum Limited.

The financial statements of the subsidiary are prepared for the same reporting period as the Māori Trustee, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-entity balances and transactions resulting from inter-group transactions have been eliminated.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of the acquisition.

## **Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Māori Trustee and that the revenue can be reliably measured.

### *Fees and commissions*

The Māori Trustee can only deduct his fee and/or commission upon actual receipt of trust monies from fees and commissions owing to the General Purposes Fund from the Common Fund. As such fees and commissions are recognised on a cash basis.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset.

### *Dividends*

Dividends are recognised when the Māori Trustee’s right to receive payment is established.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Debtors and other receivables**

Debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method after providing for doubtful and uncertain debts.

The collectibility of debtors and other receivables is reviewed on an on going basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Māori Trustee will not be able to collect the amounts due

according to the original terms of the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment is the carrying amount of the receivable compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### ***Financial instruments***

Investments and financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are categorised as loans and receivables or held to maturity investments. The classification depends on the purpose for which the investments were acquired.

On initial recognition, financial assets are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on the trade date i.e. the date that the Māori Trustee commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are carried at amortised cost using the effective interest method. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after balance date which are classified as non current.

Loans and receivables include advances to stations, properties and clients, loans and mortgages, and conversion fund loans.

#### *Held to maturity investments*

Non-derivative financial assets with fixed or determinable payments are classified as held to maturity investments when the Māori Trustee has the positive intention and ability to hold these investments to maturity. Investments intended to be held for an undefined period are not included in this classification. Held to maturity investments include Government stock, convertible notes, company debentures and bonds.

Investments that are intended to be held to maturity are subsequently measured at amortised cost. This cost is calculated to be the amount initially recorded less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### **Investments in associates**

The Māori Trustee's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Associates are entities over which the Māori Trustee has significant influence that are neither subsidiaries nor joint ventures.

The Māori Trustee deems that he has significant influence if he has over twenty percent of the voting rights. The Māori Trustee treats his investment in Putake Limited and Quantum Limited as an investment in an associate.

Under the equity method, investments in associates are carried at cost plus post acquisition changes in the Māori Trustee's share of the net assets in the associate. After application of the

equity method, the Māori Trustee determines whether it is necessary to recognise any impairment loss.

The Māori Trustee's share of his associates' post acquisition profits or losses are recognised in the income statement, and his share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

The financial statements of associates are prepared for the same reporting period as the Māori Trustee, using consistent accounting policies.

### **Impairment of financial instruments**

Financial instruments measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of a financial instrument measured at amortised cost is calculated as the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

Specific provisions are made for loans and receivables that are considered doubtful and are presented net of the specific provision. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired, based on regular reviews of the outstanding balances, to reduce these loans and receivables to their recoverable amounts. The Māori Trustee considers financial difficulties of the debtor, default payments or debts more than 60 days overdue as objective evidence of impairment.

### **Property, plant and equipment**

Plant and equipment consist of EDP equipment, furniture and fittings and office equipment. All fixed assets are recorded at historic cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight line basis on all tangible fixed assets, at rates calculated to allocate the assets' cost over their estimated useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

EDP equipment	3 years	33%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial year end. Fixed assets are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### **Intangible assets**

Intangible assets consist of acquired software and software specifically modified for the use by the Māori Trustee.

All intangible assets are recorded at historic cost less accumulated amortisation and impairment losses.

Costs that are directly associated with the development of software for internal use are recognised as part of the intangible asset. These costs include software development and direct staff costs.

Amortisation is provided on a straight line basis on intangible assets at a rate calculated to allocate the assets' cost over their estimated useful life. Amortisation begins when the asset is available for use. The useful lives of the intangible assets have been assessed to be finite. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired software	3 years	33%
Developed software	3 years	33%

The amortisation periods and amortisation methods for intangible assets with finite useful lives are reviewed, and adjusted if appropriate, at each financial year end.

### **Impairment of non financial assets**

Fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease term.

### **Creditors and other payables**

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Māori Trustee prior to the end of the financial year.

### **Goods and Services Tax ("GST")**

All items in the financial statements are stated exclusive of GST except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable from Inland Revenue then it is recognised as part of the cost of acquisition of the related asset or as part of the expense as applicable.

The net amount of GST receivable or payable is included as part of debtors or creditors in the Statement of Financial Position.

**Income taxation**

The Māori Trustee is defined as a Public Authority under the Income Tax Act 2004 and as such is exempt from income taxation.

**Cash Flow Statement**

Operating activities include cash received from all income sources by the Māori Trustee and cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets and other investments not included within cash equivalents.

Financing activities comprise of activities that result in changes to the size and composition of equity.

**Changes in accounting policies**

There have been no changes in accounting policies. The accounting policies have been applied consistently for both years presented.

**3. Significant accounting judgements, estimates and assumptions**

In preparing these financial statements the Māori Trustee has made judgements, estimates and assumptions concerning the future. The Māori Trustee continually evaluates his estimates and judgements, and these estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Māori Trustee has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. These estimates and assumptions may differ from the subsequent actual results and may materially affect financial results or the financial position in future periods.

Further detail of the nature of the assumptions may be found in the relevant notes to the financial statements.

**Significant accounting judgements***Impairment of financial and non financial assets*

The Māori Trustee assesses impairment of assets at each reporting date by evaluating conditions specific to the Māori Trustee and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. The Māori Trustee does not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment this year.

**Significant accounting estimates and assumptions***Estimation of useful lives of assets*

The useful lives of assets have been based on historical experience. In addition, the condition of the assets are assessed annually and considered against the remaining useful lives. Adjustments to useful lives are made when considered necessary.

<b>4. Investment income</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Interest income from investments	6,601,803	5,222,521
Interest income from other sources	<u>303,483</u>	<u>248,379</u>
	<u>6,905,286</u>	<u>5,470,900</u>
<b>5. Other income</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Contract income	540,000	0
Sponsorship income	276,525	0
Other income	<u>38,020</u>	<u>0</u>
	<u>854,545</u>	<u>0</u>
<b>6. Trust Office operating costs</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Fees paid to auditors:		
Audit fees for parent	98,412	79,895
Audit fees for subsidiary	4,155	5,460
Audit fees for NZ IFRS transition	15,000	7,628
Depreciation expense:		
EDP equipment	53,789	45,762
Office equipment	19,647	19,647
Furniture and fittings	12,046	11,282
Amortisation of intangible assets	114,968	235,649
Directors' fees	1,125	1,125
Building rental	361,962	359,222
Salaries and wages	3,528,099	2,870,873
Employee entitlements	157,241	115,779
Other operating costs	<u>1,447,670</u>	<u>1,435,212</u>
	<u>5,814,114</u>	<u>5,187,534</u>
<b>7. Impairment losses</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
(Decrease)/Increase in provision for doubtful debts related to loans and receivables	<u>(12,816)</u>	<u>12,562,384</u>
	<u>(12,816)</u>	<u>12,562,384</u>

<b>8. Grants paid</b>	<b>2008</b>	<b>2007</b>
	\$	\$
Māori Education Trust QEII	3,000	3,000
Waipapa Charitable Trust - Māori Trustee Act S33 grant	<u>0</u>	<u>50,000</u>
	<u>3,000</u>	<u>53,000</u>

The Māori Trustee is required by Section 3 of the Queen Elizabeth II Postgraduate Fellowship of New Zealand Act 1963 to make an annual payment of \$3,000.

<b>9. Cash and cash equivalents</b>	<b>2008</b>	<b>2007</b>
	\$	\$
Cash at bank and in hand	134,066	12,215
Deposits at call	3,808,148	2,548,174
Short-term deposits	<u>6,055,112</u>	<u>7,850,000</u>
	<u>9,997,326</u>	<u>10,410,389</u>

<b>10. Debtors and other receivables</b>	<b>2008</b>	<b>2007</b>
	\$	\$
Trade debtors	537,754	178,337
Sundry receivables	<u>836,721</u>	<u>876,784</u>
	<u>1,374,475</u>	<u>1,055,121</u>

The carrying value of debtors and other receivables approximates their fair value.

Trade receivables are non interest bearing and are generally on 30 - 60 day terms. No impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

All overdue debtors have been assessed for impairment and no provision was deemed necessary. Losses have been recognised for the year ended 31 March 2008.

<b>11. Held to maturity investments</b>	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Current portion</b>		
Commercial bonds	<u>5,386,303</u>	<u>7,468,139</u>
<b>Non-current portion</b>		
Government stock	4,077,964	4,073,304
Commercial bonds	<u>30,367,975</u>	<u>23,688,591</u>
	<u>34,445,939</u>	<u>27,761,895</u>

**12. Loans and receivables**

	<b>2008</b>	<b>2007</b>
	\$	\$
Advances to stations, properties and clients	15,302	26,221
Loans and mortgages	4,347,043	3,693,757
Conversion Fund loans	17,338	34,065
Advances to Te Māori Lodges Limited	0	0
	<u>4,379,683</u>	<u>3,754,043</u>

**Advances to stations, properties and clients**

	<b>2008</b>	<b>2007</b>
	\$	\$
Advances to stations, properties and clients	119,725	133,982
Allowance for impairment	<u>(104,423)</u>	<u>(107,761)</u>
	<u>15,302</u>	<u>26,221</u>

**Allowance for impairment - stations, properties and clients**

Impairment provision at 1 April	(107,761)	(109,517)
(Increase)/decrease in provision for year	<u>3,338</u>	<u>1,756</u>
Impairment provision at 31 March	<u>(104,423)</u>	<u>(107,761)</u>

The Māori Trustee has made advances to stations and properties under Section 32 of the Māori Trustee Act 1953 and Section 248 of the Māori Affairs Act 1953.

Advances under Section 32 of the Māori Trustee Act 1953 may or may not be secured. Where a security is taken, the security may be a first or second mortgage security over a freehold interest in land, a memorial of charge against land or a debenture.

Advances under Section 248 of the Māori Affairs Act 1953 may or may not be secured. Where a security is taken, the security is a memorial of charge over land.

**Loans and mortgages**

	<b>2008</b>	<b>2007</b>
	\$	\$
Loans and mortgages	4,418,246	3,767,089
Allowance for impairment	<u>(71,203)</u>	<u>(73,332)</u>
	<u>4,347,043</u>	<u>3,693,757</u>

**Allowance for impairment - loans and mortgages**

Impairment provision at 1 April	(73,332)	(153,321)
(Increase)/decrease in provision for year	<u>2,129</u>	<u>79,989</u>
Impairment provision at 31 March	<u>(71,203)</u>	<u>(73,332)</u>

<b>Conversion Fund loans</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Conversion Fund loans	3,364,378	3,388,454
Allowance for impairment	<u>(3,347,040)</u>	<u>(3,354,389)</u>
	<u>17,338</u>	<u>34,065</u>
<b>Allowance for impairment - Conversion Fund loans</b>		
Impairment provision at 1 April	(3,354,389)	(3,390,728)
(Increase)/decrease in provision for year	<u>7,349</u>	<u>36,339</u>
Impairment provision at 31 March	<u>(3,347,040)</u>	<u>(3,354,389)</u>

The Conversion Fund was abolished by the Māori Affairs Amendment Act 1987 which effectively vested the Conversion Fund assets in the Māori Trustee. The "Net Gain on Conversion Fund" mentioned in the 2003/2004 statement of financial performance reflects the reduction in the provision for bad debts made during the year in terms of the amended Sections 151, 153 and 154, of the Māori Affairs Act 1953.

The Conversion Fund loans are "deemed advances" and are not secured but the Māori Trustee owns shares in the land to which the Conversion Fund loans relate.

<b>Advances to Te Māori Lodges Limited</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Advances to Te Māori Lodges Limited	51,226,296	47,436,147
Allowance for impairment	<u>(51,226,296)</u>	<u>(47,436,147)</u>
	<u>0</u>	<u>0</u>
<b>Allowance for impairment - Te Māori Lodges Limited</b>		
Impairment provision at 1 April	(47,436,147)	0
(Increase)/decrease in provision for year	<u>(3,790,149)</u>	<u>(47,436,147)</u>
Impairment provision at 31 March	<u>(51,226,296)</u>	<u>(47,436,147)</u>

### 13. Investment in associates

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Quantum Limited</b>		
Shares in Quantum Limited	12,680,468	12,680,468
Allowance for impairment	<u>(12,680,468)</u>	<u>(12,680,468)</u>
	<u>0</u>	<u>0</u>

**Allowance for impairment - Quantum Limited**

Impairment provision at 1 April	(12,680,468)	0
(Increase)/decrease in provision for year	<u>0</u>	<u>(12,680,468)</u>
Impairment provision at 31 March	<u>(12,680,468)</u>	<u>(12,680,468)</u>

The Māori Trustee through his 100% owned subsidiary Te Māori Lodges Limited, holds shares in Quantum Limited.

**Putake Limited****Movement in carrying value**

Balance at 1 April	2,554,310	2,518,843
Additional funds invested	2,500,000	0
Share of profits after tax	<u>89,222</u>	<u>35,467</u>
Balance at 31 March	<u>5,143,532</u>	<u>2,554,310</u>

**Extracts from associate's balance sheet**

Current assets	10,321,064	5,171,604
Non-current assets	<u>0</u>	<u>0</u>
	10,321,064	5,171,604
Current liabilities	(34,001)	(62,985)
Non-current liabilities	<u>0</u>	<u>0</u>
	<u>(34,001)</u>	<u>(62,985)</u>
Net assets	<u>10,287,063</u>	<u>5,108,619</u>
<b>Share of associate's net assets</b>	<u>5,143,532</u>	<u>2,554,310</u>

**Extracts from associate's income statement**

Revenue	561,221	402,499
Net surplus	178,444	70,935

Putake Limited is an investment vehicle for Māori business of which the Māori Trustee has a 50% share. During the year the Māori Trustee invested a further \$2,500,000 as did the other shareholder.

**14. Property, plant and equipment**

	<b>EDP Equipment \$</b>	<b>EDP Equipment - in progress \$</b>	<b>Office Equipment \$</b>	<b>Furniture and Fittings \$</b>	<b>Total \$</b>
<b>Gross carrying value</b>					
Balance 1 April 2006	314,122	0	131,864	79,637	525,623
Additions	112,340	68,968	0	13,408	194,716
Disposals	0	0	0	0	0
Balance 31 March 2007	<u>426,462</u>	<u>68,968</u>	<u>131,864</u>	<u>93,045</u>	<u>720,339</u>
Additions	32,774	7,183	0	19,119	59,076
Transferred to PPE	0	(40,362)	0	0	(40,362)
Disposals	(233,748)	0	0	0	(233,748)
Balance 31 March 2008	<u>225,488</u>	<u>35,789</u>	<u>131,864</u>	<u>112,164</u>	<u>505,305</u>
<b>Accumulated depreciation</b>					
Balance 1 April 2006	277,739	0	63,036	60,087	400,862
Depreciation charge	45,762	0	19,647	11,282	76,691
Disposals	0	0	0	0	0
Balance 31 March 2007	<u>323,501</u>	<u>0</u>	<u>82,683</u>	<u>71,369</u>	<u>477,553</u>
Depreciation charge	53,789	0	19,647	12,046	85,482
Disposals	(233,748)	0	0	0	(233,748)
Balance 31 March 2008	<u>143,542</u>	<u>0</u>	<u>102,330</u>	<u>83,415</u>	<u>329,287</u>
<b>Net book value</b>					
At 31 March 2007	<u>102,961</u>	<u>68,968</u>	<u>49,181</u>	<u>21,676</u>	<u>242,786</u>
At 31 March 2008	<u>81,946</u>	<u>35,789</u>	<u>29,534</u>	<u>28,749</u>	<u>176,018</u>

There are no restrictions over the title of the Māori Trustee's items of property, plant and equipment, nor are any assets pledged as security for liabilities.

<b>15. Intangible assets</b>	<b>Computer software</b>	<b>WIP - Computer software</b>	<b>Total</b>
	\$	\$	\$
<b>Gross carrying value</b>			
Balance 1 April 2006	1,464,938	0	1,464,938
Additions	0	22,100	22,100
Disposals	0	0	0
Balance 31 March 2007	<u>1,464,938</u>	<u>22,100</u>	<u>1,487,038</u>
Additions	170,974	0	170,974
Transferred to Intangible assets	0	(7,580)	(7,580)
Disposals	(343,639)	0	(343,639)
Balance 31 March 2008	<u>1,292,273</u>	<u>14,520</u>	<u>1,306,793</u>
<b>Accumulated amortisation</b>			
Balance 1 April 2006	1,149,712	0	1,149,712
Amortisation charge	235,649	0	235,649
Disposals	0	0	0
Balance 31 March 2007	<u>1,385,361</u>	<u>0</u>	<u>1,385,361</u>
Amortisation charge	114,968	0	114,968
Disposals	(343,639)	0	(343,639)
Balance 31 March 2008	<u>1,156,690</u>	<u>0</u>	<u>1,156,690</u>
<b>Net book value</b>			
At 31 March 2007	<u>79,577</u>	<u>22,100</u>	<u>101,677</u>
At 31 March 2008	<u>135,583</u>	<u>14,520</u>	<u>150,103</u>

There are no restrictions over the title of the Māori Trustee's intangible assets, nor are any assets pledged as security for liabilities.

**16. Creditors and accruals**

	<b>2008</b>	<b>2007</b>
	\$	\$
Trade creditors	200,216	47,281
Accrued expenses	141,060	153,328
Amounts owing to TPK	62,935,545	57,425,344
Mortgage contra liability	1,353,952	1,353,952
GST payable	37,127	29,299
	<u>64,667,900</u>	<u>59,009,204</u>

Trade creditors and other payables are non interest bearing and are normally settled on 30 day terms, therefore the carrying value approximates their fair value.

**Amounts owed to TPK**

The funds to be reimbursed by the Māori Trustee pursuant to Section 41 of the Māori Trustee Act 1953 arise from an obligation by the Ministry of Māori Development to fund the operating costs of the Office of the Māori Trustee from the departmental appropriation of the Ministry of Māori Development.

Agreement was reached with officials of the Ministry of Māori Development to defer the reimbursement of the expenses that were incurred and not reimbursed by the Māori Trustee up to and including 30 June 1994.

The Māori Trustee agreed to use his best endeavours to reimburse the Crown for expenses incurred by the Ministry of Māori Development on behalf of the Māori Trustee since 1 July 1994.

The level of reimbursement has been subject to the Māori Trustee's financial situation and the requirement to meet his trustee obligations.

By letter dated 10 June 1996, Crown Law have also expressed the view that whether or not, pursuant to his power under Section 41 to do so, the Minister of Finance requisitions a sum or sums from the Māori Trustee, may depend upon all the circumstances at the time, including considerations such as the amount held in the General Purposes Fund and the Māori Trustee's ability, given his income and expenditure commitments in relation to that Fund, to make such a payment.

Further decisions on the reimbursement of expenses are to be made in conjunction with the review being undertaken by officials on the future of the Māori Trustee and the Office of the Māori Trustee.

During the year ended 31 March 2008 the Māori Trustee did not make any reimbursement to the Crown (31 March 2007: \$Nil).

<b>17. Reconciliation of Net Reported Operating Surplus with Net Cash Flows from Operating Activities</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Reported operating surplus/(deficit)	2,046,323	(11,821,980)
Add/(deduct) non cash items:		
Interest income	(823,048)	(258,043)
Amortisation of premiums/discount	38,507	(132,531)
Operating expenses	0	81,699
Depreciation	85,482	76,691
Amortisation of intangible assets	114,968	235,649
Loss/(Gain) on disposal of fixed assets	0	(3,446)
Impairment losses	(12,816)	12,562,384
Bad and doubtful debts	0	76,887
Gain on Conversion Fund operations	0	(36,339)
Share of associate earnings	(89,222)	(35,467)
Add/(deduct) movements in other working capital items:		
(Increase)/decrease in debtors and prepayments	(319,354)	199,052
Increase/(decrease) in creditors	5,658,699	4,654,378
Net cash flows from operating activities	<u>6,699,539</u>	<u>5,598,934</u>

<b>18. Commitments</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Investment commitments</b>		
At Call	0	2,500,000
<b>Leasing and operating commitments</b>		
Less than 1 year	396,066	390,555
1 year to 2 years	396,066	390,555
2 years to 5 years	1,092,897	1,124,885
Greater than 5 years	1,558,899	1,877,031
Total	<u>3,443,928</u>	<u>6,283,026</u>

### 19. Contingent liabilities

#### *Unclaimed Monies (1963 to 1993)*

A contingent liability of \$7.6M (31 March 2007: \$7.6M) relates to beneficiary monies paid out by the Māori Trustee under Statutory direction to the Māori Education Trust, the Māori Purposes Fund Board and the New Zealand Māori Council. These funds are still owing to beneficiaries and are liable to be paid by the Māori Trustee should such a claim be made.

*Shares in Māori Forestry Companies*

The Māori Trustee holds uncalled shares in a Māori forestry company totalling \$426,900 (31 March 2007: \$426,900). The Māori Trustee is of the view that the shares in the Māori forestry company are held in trust for the shareholders. Action is being taken to find the most effective way for the Māori Trustee to exit his involvement with this Māori forestry company.

*Compensation Leases*

The Māori Trustee administers leases where compensation is payable to the lessee on expiry or resumption of a lease.

In some of these cases the Māori Trustee is required by the Māori Vested Lands Administration Act 1954 to advance to the owners the funds required to meet compensation payments upon resumption, as the level of funds required to be set aside during the course of the lease is insufficient. The value of advances which the Māori Trustee may be required to make upon resumption of a lease is not quantifiable at this time.

In other cases where the lease provides for compensation to be paid, and there is insufficient funds held on behalf of the owners, the Māori Trustee is not required by statute to provide these funds. However the Māori Trustee is often the only institution which will provide the finance required. The value of advances is not quantifiable at this time.

*Other Contingent Liabilities*

The Māori Trustee has received or is aware of various potential claims totalling \$0.16M (31 March 2007: \$0.07M). The Māori Trustee denies liability and will defend these actions in most cases.

The Māori Trustee is presently considering an issue related to Conversion Fund loans. However the Māori Trustee does not acknowledge any liability in respect of this matter which is as yet unquantified.

**20. Related parties**

Te Māori Lodges Limited ("TML") is a wholly owned subsidiary of the Māori Trustee. TML is a holding company which holds shares in Quantum Limited. During the year the Māori Trustee provided management services to TML for \$40,500 (31 March 2007: \$40,500). TML also paid interest of \$3,790,148 (31 March 2007: \$3,157,096) on the advances from the Māori Trustee.

The management fees received and interest paid have been fully eliminated on consolidation.

The Māori Trustee recognised an impairment loss for the full amount of the advance to TML during the 2007 year.

*Compensation to Key Management Personnel*

	<b>2008</b>	<b>2007</b>
	\$	\$
Short-term employee benefits	1,222,474	963,136

## 21. Events subsequent to balance date

### *The Māori Development Bill*

The Māori Trustee and Māori Development Bill (the Bill) is currently before the House of Representatives (the House). The Bill had its second reading on 2 April 2009. The Bill will impact on the structure of the Office of the Māori Trustee and the governance of the funds that the Māori Trustee administers. The impacts of proposed changes are as follows:

1. The Māori Trustee will continue in effect as is, with the only real changes, and subsequent requirements arising from such changes being:
  - a. Māori Trustee will be an employer;
  - b. Funding streams change from Departmental to Crown;
  - c. An Appropriation Account is added to the list of Māori Trustee accounts;
  - d. Māori Trustee is to be added to Schedule Four of the Public Finance Act 1989 and through this schedule will be subject to some parts of the Crown Entities Act 2004;
  - e. The Māori Trustee remains as an entity on the Public Audit Act 2001;
  - f. A funding agreement is to be entered into between the Māori Trustee and the Crown;
  - g. The value of the TPK creditor will be zero resulting in an increase in the equity line in the Māori Trustee's General Purposes Fund Account. The value will crystallise at the time of the Bill being passed into legislation;
  - h. Reduction in the Interest Revenue in the General Purposes Account, as a result of changes in the Bill. It is proposed that the interest derived from the Common Fund investment activity less a management fee be allocated to client accounts held in the Common Fund.

### *Interest income*

The Māori Trustee Act 1953 requires all interest income on the Common Fund to be recorded in the General Purposes Fund. The rate of interest paid on deposits in the Common Fund is set by Regulation. The interest rate is currently set at 3% for amounts less than \$5,000, 4% for amounts greater than \$5,000 and less than \$50,000 and 5% for amounts equal to or greater than \$50,000 which is higher than the current market rate of interest. There is no impact on these financial statements.

## 22. Financial Instrument risks

The Māori Trustee's activities expose him to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Māori Trustee has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

### *Market Risk*

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Māori Trustee has no foreign denominated financial instruments and, accordingly has no exposure to currency risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate due to change in market interest rates.

The Māori Trustee is exposed to interest rate risk on those investments that have a floating interest rate. The investments that have floating or variable interest rates or coupon payments are as follows:

<b>Financial assets</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	9,997,326	10,410,389
Held to maturity investments	<u>5,091,178</u>	<u>2,039,434</u>
	<u>15,088,504</u>	<u>12,449,823</u>

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At balance date, if interest rates had moved, as illustrated in the tables below, with all other variables held constant, the profit and equity would have been affected as follows:

### *31 March 2008*

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deposits at call	38,081	(38,081)	38,081	(38,081)
Short-term deposits	50,745	(50,745)	50,745	(50,745)
Held to maturity investments	47,500	(47,500)	47,500	(47,500)

*31 March 2007*

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deposits at call	26,454	(26,454)	26,454	(26,454)
Short-term deposits	63,060	(63,060)	63,060	(63,060)
Held to maturity investments	27,500	(27,500)	27,500	(27,500)

### *Credit risk*

Credit risk is the risk that a third party will default on its obligation to the Māori Trustee, causing the Māori Trustee to incur a loss. Credit risk arises from the financial assets of the Māori Trustee which comprise cash and cash equivalents, debtors and other receivables, loans and receivables and held to maturity investments.

The Māori Trustee's maximum credit exposure from potential default is the carrying amount of these instruments.

The Māori Trustee has made substantial provisions for advances, conversion fund loans and available for sale financial assets. These are detailed in note 12.

### *Debtors and other receivables*

There are no significant concentrations of credit risk with respect to debtors.

### *Loans and receivables*

The Māori Trustee has made advances to stations, properties and clients and issued mortgages under Section 32 of the Māori Trustee Act 1953 and Section 248 of the Māori Affairs Act 1953.

Advances under Section 32 of the Māori Trustee Act 1953 may or may not be secured. Where a security is taken, the security may be a first or second mortgage security over a freehold interest in land, a memorial of charge over land or a debenture.

Advances under Section 248 of the Māori Affairs Act 1953 may or may not be secured. Where a security is taken, the security is a memorial of charge over land.

Conversion Fund loans are "deemed advances" and are not secured but the Māori Trustee owns shares in the land in which the Conversion Fund loans relate.

Security for other financial instruments is either unobtainable due to the nature of the instrument or is not sought due to the instrument being invested in high credit quality organisations.

*Held to maturity investments*

The financial instruments are spread amongst a number of financial institutions to minimise the risk of default. The Māori Trustee and the Māori Trust Office Investment Committee apply the following parameters when investing General Purposes Fund and Common Fund money to minimise exposure to credit risk:

- 90% of fixed income securities are to have an 'A' grade rating or better.
- For New Zealand Government stock, State Owned Enterprise and Local Authority stock, and Bank items, no single security shall exceed 10% of the fixed income portfolio.
- For corporate and capital notes, no single security shall exceed 5% of the fixed income portfolio.

Special Investment accounts have the following parameters:

- For money invested in money markets, the investments are to be made with one of 5 registered banks with an 'A2' credit rating or better.

*Liquidity risk*

Liquidity risk is the risk that the Māori Trustee will encounter difficulty in raising liquid funds to meet commitments as they fall due.

In meeting his liquidity requirements, the Māori Trustee closely monitors his forecast cash requirements. Surplus funds are invested for terms appropriate for the expected cash requirements.

The Māori Trustee applies the following parameters when investing General Purposes Fund money and Common Fund money to minimise exposure to liquidity risk:

- A target of 10% of the portfolio is to be invested within money accounts with a maximum term of 364 days
- A target of 80% for the General Purposes Fund and 75% for the Common Fund to be invested within fixed income securities
- A target of 15% for the General Purposes Fund to be invested within private equity
- A target of 10% for the Common Fund to be invested within New Zealand equities.

These investment parameters also assist the Māori Trustee in reducing his exposure to credit risk.

The remaining contractual maturities of the Māori Trustee are:

*31 March 2008*

	<b>6 months or less</b>	<b>6 - 12 months</b>	<b>1 - 5 Years</b>	<b>More Than 5 Years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Creditors and other payables	378,403	0	0	64,289,497	64,667,900
	<u>378,403</u>	<u>0</u>	<u>0</u>	<u>64,289,497</u>	<u>64,667,900</u>

**31 March 2007**

	<b>6 months or less \$</b>	<b>6 - 12 months \$</b>	<b>1 - 5 Years \$</b>	<b>More Than 5 Years \$</b>	<b>Total \$</b>
Creditors and other payables	229,908	0	0	58,779,296	59,009,204
	<u>229,908</u>	<u>0</u>	<u>0</u>	<u>58,779,296</u>	<u>59,009,204</u>

**Fair Value**

With the exception of company shares and held to maturity investments, the fair values of which exceed the carrying values, the fair value of all other investments is equivalent to the carrying amount disclosed in the Māori Trustee's General Purposes Fund Statement of Financial Position and the Statement of Common Fund and Special Investments.

*General Purposes Fund*

The held to maturity investments held by the General Purposes Fund had a current market value of \$38,406,164 as at 31 March 2008 (2007: \$34,776,332).

The investment in Company Shares has no quoted market price and it is not practicable to estimate a market value due to certain restrictions that may exist if divestment were to occur. All current estimates, taking into account these possible restrictions, indicate a market value in excess of the current value as recorded in these accounts.

**23. Reconciliation of transition to IFRS**

The impacts of adopting NZ IFRS on the total equity and loss as reported under previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) are illustrated below.

**(i) Reconciliation of total equity under previous NZ GAAP to that under NZ IFRS**

	<b>31 March 2007 \$</b>	<b>1 April 2006 \$</b>
Total equity under previous NZ GAAP	(5,607,142)	5,754,508
<i>Adjustments to retained earnings</i>		
Amortisation of premiums and discounts	(A) 688,392	406,628
Reversal of interest accrued	(A) (743,393)	0
Share of associate's profit	(B) 1,299	0
Total equity under NZ IFRS	<u>(5,660,844)</u>	<u>6,161,136</u>

**(ii) Reconciliation of profit under previous NZ GAAP to that under NZ IFRS**

		<b>31 March 2007</b>
		<b>\$</b>
Prior year loss as previously reported		(11,361,650)
<i>NZ GAAP to NZ IFRS transition adjustments</i>		
Amortisation of premiums and discounts	(A)	281,764
Reversal of interest accrued	(A)	(743,393)
Share of associate's profit	(B)	35,468
<i>NZ GAAP Reclassification</i>		
Share of associate's profit previously recognised as interest	(C)	<u>(34,169)</u>
Prior year profit under NZ IFRS		<u>(11,821,980)</u>

**(A) Amortisation of premiums and discounts**

Premiums and discounts for investments were amortised on a straight line method under previous NZ GAAP. Under NZ IFRS amortisation is calculated using the effective interest method. This change has resulted in an increase in total equity.

**(B) Equity accounting for associates**

Investments in associate were recognised at cost under previous NZ GAAP. Under NZ IFRS investments in associates are equity accounted.

**(C) Correction of Errors**

Share of associate's profits were incorrectly included in the interest income in the financial statements prepared under the previous NZ GAAP.

**(iii) Reconciliation of Cash Flow Statement under previous NZ GAAP to that under NZ IFRS**

There have been no changes to the cash flow statement from that presented under previous NZ GAAP.

**Audit Report**

**To the readers of**

**The Maori Trustee and Group's**

**financial statements**

**for the year ended 31 March 2008**

The Auditor-General is the auditor of the Maori Trustee (the Trustee) and group. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf for the year ended 31 March 2008.

### **Unqualified Opinion**

In our opinion, the financial statements of the Trustee and group on pages 26 to 51:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Trustee and group's financial position as at 31 March 2008; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 11 May 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Maori Trustee and the Auditor, and explain our independence.

### **Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance

that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Maori Trustee;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Maori Trustee and the Auditor**

The Maori Trustee is responsible for preparing the financials in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trustee and group as at 31 March 2008 and the results of its operations and cash flows for the year ended on that

date. The Maori Trustee's responsibilities arise from the Maori Trustee Act 1953.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Trustee and group or any of its subsidiaries.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements of the Maori Trustee and Group's for the year ended 31 March 2008 included on the Māori Trustee's website. The Māori Trustee is responsible for the maintenance and integrity of the Māori Trustee's website. We have not been engaged to report on the integrity of the Māori Trustee's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 11 May 2009 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

**MĀORI TRUSTEE  
COMMON FUND AND SPECIAL INVESTMENTS  
ADMINISTERED BY THE MĀORI TRUSTEE  
AS AT 31 MARCH 2008**

	Notes	2008 \$	2007 \$
<b>SPECIAL INVESTMENTS</b>			
<b>Investments under specific direction</b>			
Cash and cash equivalents		14,107,845	13,099,330
Government stocks		134,951	102,898
Company debentures, stocks and bonds		<u>101,629</u>	<u>179,840</u>
Total investments under specific direction		<u>14,344,425</u>	<u>13,382,068</u>
<b>Funded by</b>			
Specific Deposits on behalf of Māori client		<u>14,344,425</u>	<u>13,382,068</u>
<b>COMMON FUND</b>			
<b>Investments</b>			
Cash and cash equivalents		10,125,484	10,258,402
Government stocks		6,972,007	6,971,104
Company debentures, stocks and bonds		25,647,076	22,185,070
Investment in joint ventures		<u>81,687</u>	<u>81,687</u>
Total Investments		<u>42,826,254</u>	<u>39,496,263</u>
<b>Funded by</b>			
Capital gains from Common Fund investment		2,506,110	2,429,732
Proceeds from alienation of land		28,780,860	26,512,180
Miscellaneous deposits and funds		10,299,611	8,808,568
Stations		<u>1,239,673</u>	<u>1,745,783</u>
Total Funds		<u>42,826,254</u>	<u>39,496,263</u>

These financial statements were authorised for issue on 11 May 2009

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J E Paki  
Māori Trustee

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
COMMON FUND AND SPECIAL INVESTMENTS  
ADMINISTERED BY THE MĀORI TRUSTEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2008**

**1. Reporting entity**

The financial statements of the Māori Trustee Common Fund (the ‘Common Fund’) and Special Investments Administered by the Māori Trustee (the ‘Special Investments’) for the year ended 31 March 2008 were approved for issue on 11 May 2009. The Māori Trustee is a Corporate sole defined under the Māori Trustee Act 1953 and is domiciled in New Zealand. The financial statements have been prepared for the Common Fund and Special Investments in accordance with the measurement requirements below.

**2. Statement of accounting policies**

**Basis of preparation**

These financial statements are prepared in terms of Section 23 of the Māori Trustee Act 1953 (“the Act”) for the following separate funds:

- The Common Fund
- Special Investments

The Common Fund represents monies received by the Māori Trustee under Sections 23 and 25 of the Māori Trustee Act 1953, in trust for persons entitled to receive them. All Common Fund monies are guaranteed by the Crown under Section 27 of the Act. Special Investments are investments made in accordance with Section 24 of the Act.

The Māori Trustee administers the Special Investment accounts and the Common Fund investments in trust on behalf of beneficiaries. The funds administered are further detailed on page 55 of these financial statements.

The financial statements have been prepared on a historical cost basis with the exception of certain items for which specific accounting policies are identified.

Both the functional and presentational currency of the Common Fund and Special Investments are New Zealand dollars.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Government stocks**

Government stocks are stated at the lower of cost, adjusted for the amortisation of any premium or discount, or net realisable value. The premium or discount is amortised over the life of the investment on a straight line basis.

**Company debentures, stocks and bonds**

Company debentures, stocks and bonds are stated at the lower of cost, adjusted for the amortisation of any premium or discount, or net realisable value. The premium or discount is amortised over the life of the investment on a straight line basis.

**Interest in a jointly controlled operation**

The Common Fund has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the ventures rather than establishment of a separate entity. The Common Fund recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Common Fund also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

**Financial instruments**

Financial instruments recognised in the Balance Sheet include cash and cash equivalents; Government stocks; and company debentures, stocks and bonds. The financial instruments are subject to credit risk in the event of non-performance by their counter parties. On initial recognition, financial assets are measured at cost. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

**Taxation**

The Common Fund has been issued a certificate of exemption from the Inland Revenue Department.

Both the Common Fund and the Special Investments are not registered for GST.

**Changes in accounting policies**

There have been no changes in accounting policies. The accounting policies have been applied consistently for both years presented.

**Impact of New Zealand equivalents to International Financial Reporting Standards**

In November 2004 the Accounting Standards Review Board (ASRB) approved the adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). At that time, the ASRB announced the adoption of NZ IFRS would be mandatory for reporting entities with accounting periods beginning on or after 1 January 2007.

In September 2007 the ASRB announced that for certain small to medium size entities the mandatory adoption of NZ IFRS had been delayed. These entities can continue to apply New Zealand Generally Accepted Accounting Practice (NZ GAAP) as prescribed by New Zealand Financial Reporting Standards and Statements of Standard Account Practice.

The Common Fund and Special Investments meet the criteria for deferral of NZ IFRS due to not being publicly accountable and its size. The financial statements have been prepared in accordance with NZ GAAP, consistent with previous periods. The Common Fund and Special Investments does not intend to adopt NZ IFRS for the year ended 31 March 2009.

**Audit Report**

**To the readers of**

**The Maori Trustee Common Fund and Special Investment Funds**

**financial statement**

**for the year ended 31 March 2008**

The Auditor-General is the auditor of the Maori Trustee Common Fund and Special Investment Fund (Common Fund). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statement of the Common Fund on his behalf for the year ended 31 March 2008.

### **Unqualified Opinion**

In our opinion, the financial statement of the Common Fund on pages 55 to 57:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Common Fund's financial position as at 31 March 2008.

The audit was completed on 11 May 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Maori Trustee and the Auditor, and explain our independence.

### **Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statement. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statement. We assessed the results of those procedures in forming our opinion.

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- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
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- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Maori Trustee and the Auditor**

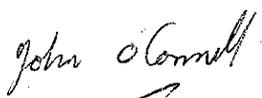
The Maori Trustee is responsible for preparing the financial in accordance with generally accepted accounting practice in New Zealand. The financial statement must fairly reflect the financial position of the Common Fund as at 31 March 2008. The Maori Trustee's responsibilities arise from the Maori Trustee Act 1953.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Common Fund.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This audit report relates to the financial statements of the Maori Trustee Common Fund and Special Investment Funds for the year ended 31 March 2008 included on the Māori Trustee's website. The Māori Trustee is responsible for the maintenance and integrity of the Māori Trustee's website. We have not been engaged to report on the integrity of the Māori Trustee's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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